

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-10 H-02 L-03 PA-01

PRS-01 USIA-06 SP-02 AID-05 EB-07 NSC-05 CIEP-01

SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 AGR-05

INT-05 /112 W

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P 020158Z SEP 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 7086

INFO AMEMBASSY JAKARTA PRIORITY

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USADB

E.O. 11652: ADS, DECLAS 3/2/76

TAGS: EAID, EFIN, ID

SUBJECT: SEMPOR DAM AND IRRIGATION PROJECT (INDONESIA):

CHANGES IN DESIGNS, PROCUREMENT PROCEDURES; REALLOCATION OF
LOAN PROCEEDS

FOR NAC AGENCIES

SUMMARY: ON BASIS OF PRIOR BANK APPROVAL PERMITTING
INDONESIA TO MODIFY SUBJECT DAM DESIGN AND CHANGE IN
PROCUREMENT PROCEDURES TO PROVIDE THAT CIVIL WORKS
CONTRACTOR FURNISH OWN EQUIPMENT, BANK NOW PROPOSES TO
ALLOW REALLOCATION OF LOAN PROCEEDS. USADB DOES NOT
INTEND TO OBJECT. END SUMMARY.

1. CONSULTANTS NIPPON LOEI CO. LTD (JAPAN) FOR SEMPOR
DAM PROPOSED AND BANK APPROVED JUN 1974, DESIGN CHANGE
FROM ROCKFILL WITH ASPHALT MEMBRANE FACING TO ROCKFILL
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WITH IMPERVIOUS EARTH CORE; ALSO MODIFICATION IN

SPILLWAY DESIGN BASED UPON GEOLOGICAL PROBLEMS
IDENTIFIED AFTER MID-1971 APPRAISAL OF PROJECT.

2. BY MID-1973, ESTIMATED COST OVERRUN OF PROJECT
WAS \$5.2 MILLION, OF WHICH \$2.8 MILLION WAS FOREX.
TO MINIMIZE THIS OVERRUN AND SAVE MOBILIZATION
TIME, IT WAS THEN PROPOSED AND BANK APPROVED THAT
CIVIL WORKS CONTRACTOR ON DAM WOULD FURNISH OWN
EQUIPMENT.

3. DESPITE FOREX COST REDUCTIONS FROM NEW PROCURE-
MENT PROCEDURE, DESIGN CHANGES OF DAM AND SPILLWAY
AND INFLATION HAVE CONTRIBUTED TO LARGE INCREASE
TOTAL PROJECT COST. ORIGINAL DAM CONSTRUCTION COST
ESTIMATE WAS US\$7.3 MILLION (US\$5.1 MILLION FOREX).
COST OVERRUN NOW ESTIMATED AT US\$10.5 MILLION (\$5.9
MILLION FOREX). MARCH 1975, GOVT AGREED FINANCE
ENTIRE COST OVERRUN FROM OWN RESOURCES.

4. MAY 1975, GOVT PROPOSED REALLOCATION LOAN PROCEEDS
AMONG PROJECT COMPONENTS ON BASIS OF CONTRACTS AWARDED
AND THAT GOVT WOULD FINANCE FOREX COSTS OF PROJECT
IRRIGATION SYSTEMS ENTIRELY FROM OWN RESOURCES.

5. BASED ON REVISED ESTIMATE TOTAL PROJECT COST, PRESENT
COMMODITY PRICES, ECONOMIC INTERNAL RATE OF RETURN
(IRR) NOW 22 PERCENT COMPARED WITH 14.6 PERCENT AT TIME OF
APPRAISAL. ECONOMIC VIABILITY REMAINED DESPITE
INCREASED CONSTRUCTION COSTS, DUE TO SHARP RISE IN
RICE AND SOYBEAN PRICES, MAJOR CROPS PLANNED IN
PROJECT CROPPING PATTERN.

6. ADB PRESIDENT RECOMMENDS BD APPROVE ABOVE
PROJECT CHANGES. IF NO OBJECTION OR REQUEST FOR
DISCUSSION OF RECOMMENDATION MADE BEFORE 5 SEPTEMBER,
PROPOSED REALLOCATION WILL BE DEEMED APPROVED BY ADB
BOARD. USADB DOES NOT INTEND TO OBJECT. SULLIVAN

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Message Attributes

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Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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